

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**  
FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

0 2 — 2 0

2. STATE:

Michigan

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL  
SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

October 1, 2002

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 433 Support A

7. FEDERAL BUDGET IMPACT:

a. FFY 2003 \$ 96.7 million

b. FFY 2004 \$ 96.7 million

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A Page 32

Attachment 4.19-B Page 2.b.5 and 2.6.6

ATTACHMENT 4.19-A page 32.1

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable):

Attachment 4.19-A Page 32

Attachment 4.19-B Page 2.b.5

10. SUBJECT OF AMENDMENT:

In and Out-Patient hospital additional pools

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED:

James K. Haveman, Jr.

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

James K. Haveman, Jr.

14. TITLE:

Director

15. DATE SUBMITTED:

October 21, 2002

16. RETURN TO:

Michigan Department of Community Health  
Capitol Commons Center  
400 S. Pine Street, 7th Fl  
Lansing, MI 48933  
ATTN: Nancy Bishop, Policy and Federal  
Affairs

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

10-22-02

18. DATE APPROVED:

3-27-03

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

10-1-02

20. SIGNATURE OF REGIONAL OFFICIAL:

Bernie Smith

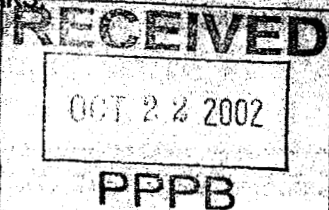
21. TYPED NAME:

CHARLENE BROWN

22. TITLE:

Deputy Director

23. REMARKS:



RECEIVED

OCT 22 2002

DMCH - MI/MN/WI

Attachment 4.19-A

Page 32

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: MICHIGAN**METHODS OF PAYMENT OF REASONABLE COSTS -  
INPATIENT HOSPITAL SERVICES**

If an appeal results in a change which affects claims already processed, three alternatives to implement the change shall be available.

1. The hospital may elect to submit adjustments through the normal billing process.
2. The hospital may request an early initial settlement for the entire hospital. The initial settlement will incorporate the appeal decision in determining the gross program liability. Initial settlements are done only after the end of a hospital's fiscal year end.
3. The impact of the appeal decision may be incorporated into the hospital's final settlement process.

**V. Medicaid Access to Care Initiative**

The Department of Community Health is establishing four special funding pools for the next two State fiscal years (FY's '03 & '04). To keep payments within the Medicaid upper payment limits, separate pools will be established for privately-owned or operated hospitals and non-state government-owned or operated hospitals for inpatient hospital services. Only hospitals located within Michigan, enrolled in the Medicaid program, open and admitting Medicaid fee for service (FFS) and managed care patients 10 days prior to a scheduled payment will be eligible to receive distributions from these pools.

Allocation of payments from the inpatient hospital pools for fiscal year 2003 will be made based on inpatient FFS hospital paid claims for hospital admissions from September 1, 1999 to August 31, 2000. (The last year of paid claims data used to rebase hospitals in FY'02 will be used.) Allocation of payments for FY'04 will be made based upon similar data drawn from FY'03 payments.

**Privately-Owned or Operated Inpatient Hospital Pool (\$120 million)**

This inpatient pool will be computed based upon the total number of DRG reimbursed hospitals and distinct part rehabilitation units. Freestanding rehabilitation hospitals with Medicaid FFS payments will participate in this pool, also.

Hospitals with Medicaid inpatient FFS payments will share proportionately in a pool of \$120 million based on each hospital's total Medicaid FFS inpatient payments divided by the total Medicaid FFS inpatient payments for all privately-owned and operated hospitals and units.

**Non-State Government-owned or Operated Inpatient Hospital Pool (\$19 million)**

This inpatient pool will be computed based upon the total number of DRG reimbursed hospitals and distinct part rehabilitation units. Freestanding rehabilitation hospitals with Medicaid FFS payments will participate in this pool, also.

Hospitals with Medicaid inpatient FFS payments will share proportionately in a pool of \$19 million based on each hospital's total Medicaid FFS inpatient payments divided by the total Medicaid FFS inpatient payments for all non-state government-owned or operated hospitals and units.

MAY 27 2003

TN No. 02-20 Approval                      Effective Date 10/1/02  
Supersedes  
TN No. 02-12

Attachment 4.19-B  
Page 2.b.5

# STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: MICHIGAN

## POLICY AND METHOD FOR ESTABLISHING PAYMENT RATES (OTHER THAN INPATIENT HOSPITAL AND LONG TERM CARE FACILITIES)

At a minimum, agreements must provide for appropriately authorized, medically necessary inpatient hospital, outpatient hospital, emergency and clinical care arranged by a physician with admitting privileges to the facility and credentialed by the HMO.

Distributions from the managed care outpatient hospital adjustor pool will be calculated as follows:

*Charges are limited to outpatient hospital charges for provider types 40, 41, and 75.*

*Hospital Charges = Title XIX HMO outpatient hospital charges*

*Hospital Costs = Hospital Charges x CC Ratio x Inflation Factor*

*Hospital's Distribution =  $\frac{\text{Hospital's Costs}}{\sum \text{Hospitals' Costs}} \times \$8,406,600$*

*Title XIX = Medicaid Health Maintenance Organization*

*CC Ratio = Hospital's outpatient cost- to- charge ratio*

Distribution of funds from all pools will be made prior to September 30, 2002. Should a hospital fail to qualify for a distribution from either pool, its share will not be redistributed.

### E. **Medicaid Access to Care Initiative**

The Department of Community Health is establishing four special funding pools for the next two State fiscal years (FYs '03 & '04). To keep payments within the Medicaid upper payment limits, separate pools will be established for privately-owned or operated hospitals and non-state government-owned or operated hospitals for outpatient hospital services. Only hospitals located within Michigan, enrolled in the Medicaid program, open and treating Medicaid fee for service (FFS) and managed care patients 10 days prior to a scheduled payment will be eligible to receive distributions from these pools.

Allocation of payments from the outpatient hospital pools for FY'03 will be made based on Medicaid FFS outpatient payments reported on hospital Indigent Volume reports for hospital year ends from October 1, 1999 to September 30, 2000. Allocation of payments for FY'04 will be made based upon similar data drawn from FY'03 payments.

#### **Privately-Owned or Operated Outpatient Hospital Pool (\$35 million)**

This outpatient pool will be computed based upon the total number of outpatient units of DRG reimbursed hospitals and outpatient hospital rehabilitation units.

Hospitals with Medicaid outpatient FFS payments will share proportionately in a pool of \$35 million based on the hospitals total Medicaid FFS outpatient payments divided by the total Medicaid FFS outpatient payments for all privately-owned or operated hospitals and units.

#### **Non-State Government-owned or Operated Outpatient Hospital Pool (\$3.5 million)**

This outpatient pool will be computed based upon the total number of outpatient units of DRG reimbursed hospitals and outpatient hospital rehabilitation units.

TN No. 02-20  
Supersedes  
TN No. 02-01

Approval MAY 27 2003

Effective Date 10/1/02

Attachment 4.19-B

Page 2.b.6

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: MICHIGAN**POLICY AND METHOD FOR ESTABLISHING PAYMENT RATES  
(OTHER THAN INPATIENT HOSPITAL AND LONG TERM CARE FACILITIES)**

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Hospitals with Medicaid outpatient FFS payments will share proportionately in a pool of \$3.5 million based on each hospital's total Medicaid FFS outpatient payments divided by the total Medicaid FFS outpatient payments for all non-state government-owned or operated hospitals and units.

**Payment Schedule**

Payments will be made only after the department has received approval for this policy from the Centers for Medicare & Medicaid Services. Once approval has been received, the initial payment will be made within 45 days. Subsequent payments will be made within 45 days of the beginning of each quarter. The quarterly payments will be made in four equal installments based on the total annual amount each hospital is eligible to receive. If a hospital closes or is determined ineligible to receive funds from a pool, its funds will be redistributed to the remaining eligible hospitals based on the original distribution formula. All funds from both outpatient hospital pools will be distributed to eligible hospitals.

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TN No. 02-20  
Supersedes  
TN No. New Page

Approval MAY 27 2003Effective Date 10/1/02

Attachment 4.19-A

Page 32.1

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: MICHIGAN**METHODS OF PAYMENT OF REASONABLE COSTS -  
INPATIENT HOSPITAL SERVICES**

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**Payment Schedule**

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Supersedes  
TN No. New

Approval

MAY 27 2003Effective Date 10/1/02